

## History and Background of Tax Increment Financing and the BCTIFA

1972 – City established Fort Custer Industrial Park. Battle Creek Unlimited was established to oversee transformation of the former military base into a modern international industrial park.

1980 – The Battle Creek Tax Increment Finance Authority (BCTIFA) became the first industrial TIFA in Michigan, shortly after the passage of Public Act 450 in 1980. The BCTIFA development district includes Fort Custer Industrial Park and the W.K. Kellogg Airport. The City Commission stipulated that KCC, BCPS, CISD, and Calhoun County all be represented on the BCTIFA Board.

1982 – BCTIFA begins first capture of tax revenues including City millages, schools and portions of county and ISD millages. All government entities whose millages are subject to capture, will continue to receive 100% of taxes they have levied prior to the base year of 1982. Only the incremental growth in the tax base above the 1982 base year is captured by the BCTIFA.

1993 – Proposal A was enacted and Senate Bill 1 was passed to amend PA 450 to eliminate TIFA capture of school millages, with the exception that state/local school millages could be captured for ongoing payments on bonds/debt obligations and contractual obligations that were in the “pipeline” or pre-existing before August 1993. The BCTIFA had several obligations (Full Blast, Washington Avenue Overpass, Hospital Power Plant) eligible for school capture including payments for multiple bond obligations, the City land contract (BCU building) and a management contract with BCU.

1999-2001 – State of Michigan began extensive audits of local governments, school districts, TIFAs and DDAs, seeking to find more revenue to fund state operations. In 1999 Treasury began its audits of the BCTIFA and the DDA, and in 2001 issued preliminary findings contending over-capture of local/state school millages which were later resolved.

2003 – In September 2003, Treasury staff raised concerns about the BCU/BCTIFA management contract as an eligible obligation and indicated that the contract may be interpreted as a one-year contract, rather than the long-term contract that it had been.

2004-2005 – City, BCU and legislative leaders worked to resolve the Treasury dispute.

2005 – On May 25, 2005 the Michigan legislature passed PA 29, which resolved the capture dispute, and declared the BCTIFA/BCU management contract as an eligible obligation for capture of state school revenues going forward. PA 29 allows the BCTIFA to capture state school millages for the City’s economic development effort from 2006 through 2015. After 2015, the BCTIFA’s investments in infrastructure and tax base retention and growth will be funded only from local, non-school millages.